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KIRIRI WOMEN'S UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2024/2025 ACADEMIC YEAR
FIRST YEAR, SECOND SEMESTER EXAMINATION
FOR THE DIPLOMA IN HOSPITALITY MANAGEMENT
DHM 1623 HOSPITALITY ACCOUNTING

Date: 8th August 2024

Time: 11.30am-1.30pm

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

David King runs a business named King's Kitchenwares Enterprises, selling Kitchen equipment and accessories to businesses in hospitality industry and households. The following Trial balance as at 31 December 2023 is provided.

	Debit	Credit
	Sh	Sh
Purchases	3,224,100	
Carriage inwards	176,000	
carriage outwards	148,500	
Returns	111,100	139,700
Salaries and wages	990,000	
Rent expense	178,200	
Sales		9,964,900
Repairs and maintenance	25,850	
Advertising	110,550	
Telephone and internet	74,250	
Vehicle running expenses	92,400	
Licences and permits	45,000	
Interest expense	138,600	
Electricity	54,450	
Printing and Stationery	72,050	
Cash in hand	18,150	
Cash in bank	313,050	
Capital		1,320,000
Long term Loan		2,640,000
Shot term Loan		440,000
Inventory 1 January 2024	309,650	
Accounts receivables and payables	510,400	392,700

Land and Building	5,775,000	
Equipment	522,500	
Motor vehicle	1,650,000	
Furniture and fitting	357,500	
	14,897,300	14,897,300

Additional information

Closing inventory Sh 250,500

Required

- Prepare statement of profit or loss for the year ended 31 December 2023 (10 marks)
- Prepare Statement of Financial Position as at 31 December 2023 (10 marks)
- Explain three characteristics the above financial statements should possess in order to be useful to the users. (6 marks)
- Identify and explain two books of original entry that David King would use to record his business transactions. (4 marks)

QUESTION TWO (20 MARKS)

The following transactions relate to Kikohey Motel for March 2024.

March 1 Started business with Sh 500,000 in the bank and Sh 100,000 cash
 March 2 Bought stationery by cash Sh 6,000
 March 3 Bought beds sh 150,000 by cheque
 March 5 Bought furniture on credit Sh 80,000 from Victoria furnitures
 March 6 Bought kitchen equipment Sh 75,000 by cheque
 March 10 Deposited sh 85,000 into the bank account
 March 12 made sales sh 25,000 received cash
 March 15 deposited sh 25,000 into the bank
 March 20 made purchases Sh 7,000 cash
 March 26 made sales on credit to Eastern company Sh 42,000
 March 27 cash sales sh 15000 cash
 March 31 Received a cheque from Eastern company Sh 30000 as part payment for the rooms
 March 31 Owner took sh 14,000 cash for personal use

Required

- Ledger accounts and balance off the accounts (12 marks)
- Trial balance as at 31 March 2024 (4 Marks)
- List any four double entry rules (4 marks)

QUESTION THREE (20 MARKS)

- Abdi had the following transactions for his Grocery business for the month of November 2022
 - Nov 1 Balance brought forward cash Sh 60,000 debit and Bank Sh. 190,000 debit
 - Nov 2 Cash sale Sh 62,000
 - Nov 3 Deposited Sh 100,000 from cash till into the bank
 - Nov 4 Received Sh 39,400 cheque from Ben a debtor
 - Nov 5 Paid for telephone and internet expenses cash Sh 14,000
 - Nov 6 Bought office equipment by cheque sh 51,000
 - Nov 7 Paid Robert by cheque Sh 14,500
 - Nov 9 Withdrew Sh 30,000 cash from bank for business use
 - Nov 12 Cash sale Sh 80,000
 - Nov 13 Paid wages in cash Sh 60,000
 - Nov 20 Received Sh 50,400 cheque from Brown a debtor.
 - Nov 28 Paid general expenses in cash Sh 13,500
 - Nov 30 Paid insurances by cheque Sh 42,000
 - Nov 30 Took Sh 30,000 cash for personal use

Required

- i) Two column cash book (12 marks)
 ii) Highlight the importance of maintaining a cash book (3 marks)
 b) List the objective of financial accounting (5 marks)

QUESTION FOUR (20 MARKS)

- a) Financial statements are prepared for variety of users. Identify any for users and how the financial statements meet their information needs. (8 marks)
 b) The following sales and purchases transactions were obtained from James Cereals shops in the months of July 2024

July 1 Credit Purchases from Hall Sh 7,900, Norbad Sh 45,000 and Samuel Sh 20,600
 July 3 Credit sales to Richard Sh 61,000, Peter Sh 44,600 and Tom Sh 45,600
 July 5 Credit purchases from Mike Sh 40,000, Charles Sh 48,000, Edward Sh 51,000 and David Sh 10,600
 July 8 Credit sales to Gerald Sh 41,000, George Sh 45,000 and Francis sh 48,500
 July 12 Return outwards to Norbad sh 3,000, Samuel Sh 1,600
 July 14 Return inwards from Peter Sh 1,800, Tom Sh 2,200
 July 20 Credit sales to Peter Sh 28,800, Powell sh 11,000, Lee sh 52,000
 July 24 Credit purchases from Francis Sh 55,000, Elijah Sh 90,000
 July 31 Return Inwards from Philips Sh 2,700 and Richard Sh 3,000
 July 31 Return Outwards to Cook Sh 1,300, Davis Sh 1,100

Required

- i) Sales Day book (4 marks)
 ii) Purchases Day book (4 marks)
 iii) Return Inwards Day book (2 marks)
 iv) Return outward day book (2 marks)

QUESTION FIVE (20 MARKS)

- a) You have been operating a restaurant business for since January 2023 named Zoy restaurant but you are not sure how much capital you have for the business. You however have the following balances as at 31 December 20223

	Shs
Motor vehicle	1,500,000
Computers	80,000
Creditors	180,000
Short term loan	450,000
Debtors	280,000
Furniture and Equipment	195,000
Cash in hand	15,000
Cash at Bank	300,000
Closing stock	270,000

- i) Using accounting equation calculate the capital of the business (4 marks)
 ii) Differentiate between the following in financial statement
 • Non-current assets and Current assets (2 marks)
 • Liabilities and Capital (2 marks)
 iii) Highlight two ways in which capital in the business increases (2 marks)
- b) When preparing financial statements accountants follow certain principles and assumptions called accounting concepts. Identify and explain THREE concepts used in accounting. (6 marks)
 c) Explain any TWO source documents used in accounting (4 marks)